

NEW CANAAN COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NEW CANAAN COMMUNITY FOUNDATION, INC.

CONTENTS

Independent Auditors' Report	1
Statements of Financial Position - December 31, 2010 and 2009	2
Statements of Activities for the Years Ended December 31, 2010 and 2009	3
Statements of Cash Flows for the Years Ended December 31, 2010 and 2009	4
Notes to Financial Statements	5-15

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Independent Auditors' Report

To the Board of Directors
New Canaan Community Foundation, Inc.

We have audited the accompanying statements of financial position of New Canaan Community Foundation, Inc., as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Canaan Community Foundation, Inc., as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

April 1, 2011

NEW CANAAN COMMUNITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 814,362	\$ 215,281
Dividends and interest receivable	36,719	26,312
Investments, at fair value	12,155,967	11,339,049
Other assets	17,123	14,651
Property and equipment, net	<u>4,455</u>	<u>5,902</u>
Total Assets	\$ <u>13,028,626</u>	\$ <u>11,601,195</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued liabilities	\$ 14,226	\$ 12,718
Agency funds	<u>61,112</u>	<u>-</u>
Total liabilities	<u>75,338</u>	<u>12,718</u>
Net Assets		
Unrestricted:		
Discretionary	6,203,831	5,997,753
Board designated	<u>58,102</u>	<u>55,759</u>
Total unrestricted net assets	<u>6,261,933</u>	<u>6,053,512</u>
Temporarily restricted	<u>6,691,355</u>	<u>5,534,965</u>
Total net assets	<u>12,953,288</u>	<u>11,588,477</u>
Total Liabilities and Net Assets	\$ <u>13,028,626</u>	\$ <u>11,601,195</u>

The accompanying notes are an integral part of the financial statements

NEW CANAAN COMMUNITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Changes in Net Assets						
Revenues:						
Contributions	\$ 332,369	\$ 1,082,598	\$ 1,414,967	\$ 876,685	\$ 420,290	\$ 1,296,975
Less contributions to agency funds	(58,772)	-	(58,772)	-	-	-
Net contributions	<u>273,597</u>	<u>1,082,598</u>	<u>1,356,195</u>	<u>876,685</u>	<u>420,290</u>	<u>1,296,975</u>
Investment return, net of investment expense	604,802	452,064	1,056,866	647,735	611,273	1,259,008
Transfer in - United Way	131,208	-	131,208	-	-	-
Special events	27,045	-	27,045	35,580	-	35,580
	<u>1,036,652</u>	<u>1,534,662</u>	<u>2,571,314</u>	<u>1,560,000</u>	<u>1,031,563</u>	<u>2,591,563</u>
Net assets released from restrictions	378,272	(378,272)	-	251,872	(251,872)	-
Total revenues	<u>1,414,924</u>	<u>1,156,390</u>	<u>2,571,314</u>	<u>1,811,872</u>	<u>779,691</u>	<u>2,591,563</u>
Expenses:						
Program:						
Grants	837,660	-	837,660	525,157	-	525,157
Supporting services:						
Management and administration	262,062	-	262,062	200,256	-	200,256
Fundraising:						
Special events	22,582	-	22,582	17,705	-	17,705
Other fundraising	84,199	-	84,199	65,873	-	65,873
Total expenses	<u>1,206,503</u>	<u>-</u>	<u>1,206,503</u>	<u>808,991</u>	<u>-</u>	<u>808,991</u>
Increase in Net Assets	208,421	1,156,390	1,364,811	1,002,881	779,691	1,782,572
Net Assets - Beginning of Year	<u>6,053,512</u>	<u>5,534,965</u>	<u>11,588,477</u>	<u>5,050,631</u>	<u>4,755,274</u>	<u>9,805,905</u>
Net Assets - End of Year	<u>\$ 6,261,933</u>	<u>\$ 6,691,355</u>	<u>\$ 12,953,288</u>	<u>\$ 6,053,512</u>	<u>\$ 5,534,965</u>	<u>\$ 11,588,477</u>

The accompanying notes are an integral part of the financial statements

NEW CANAAN COMMUNITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,364,811	\$ 1,782,572
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,000	2,843
Net realized and unrealized gains on investments	(686,570)	(932,237)
(Increase) decrease in operating assets:		
Dividends and interest receivable	(10,407)	(2,823)
Other assets	(2,472)	(5,579)
Increase (decrease) in operating liabilities:		
Accrued liabilities	1,508	(267)
Agency funds	61,112	-
Net cash provided by operating activities	<u>730,982</u>	<u>844,509</u>
Cash Flows from Investing Activities		
Purchases of investments	(1,617,532)	(993,976)
Proceeds from sales of investments	1,487,184	231,482
Purchases of furniture and equipment	(1,553)	-
Net cash used in investing activities	<u>(131,901)</u>	<u>(762,494)</u>
Net Increase in Cash and Cash Equivalents	599,081	82,015
Cash and Cash Equivalents - Beginning of Year	<u>215,281</u>	<u>133,266</u>
Cash and Cash Equivalents - End of Year	<u>\$ 814,362</u>	<u>\$ 215,281</u>

The accompanying notes are an integral part of the financial statements

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - New Canaan Community Foundation, Inc. (the Foundation) was founded in 1977. The Foundation promotes growth of community philanthropy and helps donors achieve their charitable goals for the community of New Canaan and its surrounding region.

As of July 1, 2009, the United Way of New Canaan, Inc., underwent a corporate dissolution process. Seven of its Board members joined the leadership of the New Canaan Community Foundation, Inc., which pledged to continue their important work in community philanthropy and set up a new grant making program initiative, *Neighbors United*. The remaining net assets of the United Way of New Canaan, Inc., were transferred to the Foundation in 2010.

Basis of Accounting and Presentation - The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Foundation are reported in three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets - Unrestricted net assets are defined as assets that are free of donor-imposed restrictions and include all investment income and appreciation not subject to donor-imposed restrictions. Accounting principles generally accepted in the United States of America provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The Board of Directors of the Foundation has that ability, known as variance power; however, they would exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Foundation's financial statements classify discretionary and board-designated donor-restricted endowment funds as unrestricted. Board-designated net assets consist of funds for grants to be made at the discretion of the Board of Directors.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure, which includes donor-advised, scholarship and field-of-interest funds and accumulated investment income and gains on those funds that have not been appropriated for expenditure.

The Foundation had no permanently restricted net assets as of December 31, 2010 and 2009.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The most significant estimate relates to the valuation of other investments.

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - The Foundation considers all highly liquid investments purchased with an initial maturity of three months or less that are utilized for operations to be cash equivalents, which would exclude cash equivalents held by brokers and investment managers. The Foundation maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Foundation's deposits are not subject to significant credit risk.

Investments - Investments in marketable debt securities, equity securities and mutual funds are stated at fair value in the statements of financial position. Certain assets in the portfolio relate to an investment in a multi-asset fund and limited partnership. The fund and partnership in turn may invest in listed and unlisted stocks, corporate bonds and other fixed income securities as well as other financial instruments which are illiquid and may also engage in various forms of arbitrage. As a result, the market value of certain fund and partnership investments is, of necessity, based on estimates provided by the fund managers of the fund and general partners of the partnership. These estimated values could differ significantly from values that would have been determined had there been a ready market for the underlying investments. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment Pools - The Foundation maintains master investment accounts for its funds. Interest, dividends, realized and unrealized gains and losses from securities, and related expenses in the pooled investment accounts are calculated and allocated monthly to all of the donor funds based on the relationship of the market value of each fund to the total market value of the pooled investment accounts, as adjusted for additions to or distributions from those accounts.

Property, Equipment and Depreciation - Property and equipment acquisitions or improvements that exceed \$500 are recorded at cost or, if donated, at estimated fair value at the time such items are received. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets.

Agency Funds - During the year ended December 31, 2010, the Foundation entered into agency agreements whereby it receives and distributes assets for certain endowment funds that have been established by an unrelated nonprofit organization from its own resources for the sole purpose of supporting that organization's operations. Amounts received and distributed under these relationships totaled \$58,772 and \$-0-, respectively, for the year ended December 31, 2010.

The amounts received but not yet distributed, including income earned on investments, totaled \$61,112 at December 31, 2010, and are included on the statements of financial position in investments at fair value.

Contributions - Unconditional contributions are recognized when received and are considered to be available for unrestricted use unless specifically restricted by the donor. The Foundation reports contributions as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions whose restrictions are met in the same fiscal year are recorded as unrestricted support. Conditional promises to give to the Foundation are not included as support until such time as the conditions are substantially met.

Donated Services - The Foundation recognizes donated services if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Grants - The Foundation records grants payable when the grants are approved by the Board of Directors. All grants made are in accordance with the terms of the various governing instruments and are subject to the approval of the Board.

Income Taxes - The Foundation qualifies as a public charity under Section 501(c)(3) of the Internal Revenue Code. Thus, the Foundation is exempt from federal and state income taxes. The Foundation's informational returns for the years ended December 31, 2007 through 2010 are subject to examination by the Internal Revenue Service and the State of Connecticut.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification - Certain amounts in the 2009 financial statements have been reclassified to conform with the current year's presentation.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through April 1, 2011, which represents the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Investments at December 31, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Common stocks/equity mutual funds	\$ 6,355,641	\$ 5,543,711
Other investments	2,669,928	2,250,797
U.S. Government securities	2,089,712	2,602,311
Invested cash and other short-term investments	891,148	717,324
Corporate bonds	<u>149,538</u>	<u>224,906</u>
Total Investments	<u>\$ 12,155,967</u>	<u>\$ 11,339,049</u>

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS (Continued)

Investment return for the years ended December 31, 2010 and 2009, is summarized as follows:

	<u>2010</u>	<u>2009</u>
Realized and unrealized gains	\$ 684,230	\$ 932,237
Interest and dividends	407,319	354,986
	<u>1,091,549</u>	<u>1,287,223</u>
Less investment expenses	34,683	28,215
Investment Return, Net	<u>\$ 1,056,866</u>	<u>\$ 1,259,008</u>

NOTE 3 - FAIR VALUES

The levels of valuation inputs under generally accepted accounting principles (GAAP) for financial instruments carried at fair value are as follows:

Level 1 - Quoted market prices for identical assets or liabilities on an active market to which an entity has access at the measurement date.

Level 2 - Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and the Foundation has the ability to redeem the asset or liability in the near term subsequent to the measurement date.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available, and the Foundation does not have the ability to redeem the asset or liability in the near term.

Assets Measured at Fair Value on a Recurring Basis - The following is a summary of the source of fair value measurements for assets that are measured at fair value on a recurring basis:

<u>Description</u>	<u>December 31, 2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stocks/ equity mutual funds	\$ 6,355,641	\$ 6,355,641	\$ -	\$ -
Absolute return	2,547,354	-	2,547,354	-
Equity hedge	122,574	-	122,574	-
U.S. Government securities	2,089,712	2,089,712	-	-
Invested cash and other short-term investments	891,148	891,148	-	-
Corporate bonds	149,538	-	149,538	-
Total	<u>\$ 12,155,967</u>	<u>\$ 9,336,501</u>	<u>\$ 2,819,466</u>	<u>\$ -</u>

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - FAIR VALUES (Continued)

<u>Description</u>	<u>December 31, 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stocks/ equity mutual funds	\$ 5,543,711	\$ 5,543,711	\$ -	\$ -
Absolute return	2,250,797	-	2,250,797	-
U.S. Government securities	2,602,311	2,602,311	-	-
Invested cash and other short-term investments	717,324	717,324	-	-
Corporate bonds	224,906	-	224,906	-
Total	\$ 11,339,049	\$ 8,863,346	\$ 2,475,703	\$ -

The change in unrealized gains relating to investments that are still held at year end is \$(1,349,879) and \$3,020,766 for the years ended December 31, 2010 and 2009, respectively.

Common Stocks/Equity Mutual Funds - This investment class seeks to provide long-term capital appreciation. Our money managers select equities with the objective of generating average annual compounded returns over the relevant broad market indices (i.e., the S&P 500, the Russell 1000, MSCI EAFE and MSCI World), net of fees, over full market cycles (5-10 years). Our equity portfolios are composed of a broad enough range of businesses and geographic segments to diversify the risk associated with any individual issue. There are five independent money managers responsible for our equity investments. The use of multiple money managers diversifies the manager risk associated with our equity portfolio.

Absolute Return - This investment class typically involves event-driven, stressed and distressed credit, and spread-based arbitrage investments. The strategies tend to be both flexible and opportunistic. They incorporate differentiated drivers of return compared to traditional investment strategies and, as a result, they are expected to produce returns that exhibit relatively low correlation to the broad market indices over longer time horizons. Over time, the investments should generate equity-like returns with lower volatility than equity markets. The redemption period for these investments is daily redemption.

The absolute return class consists of an investment in a multi-asset fund. This investment (carried at \$2,669,928 and \$2,250,797 at December 31, 2010 and 2009, respectively) is valued using the Foundation's proportionate value of the investment manager's total net asset value for the years ended December 31, 2010 and 2009. The December 31, 2010 net asset value consists of 64.1% Level 1, 23.3% Level 2 and 12.6% Level 3 fair value measurements, as defined in accounting standard, *Fair Value Measurements*.

Equity Hedge - The investment class managers typically make both long and short investments and produce returns that can be expected to correlate more closely with the market than would the performance of the absolute return strategies, though with lower volatility than the broad market indices. Over time, other assets should generate equity-like returns with lower volatility than equity markets. The redemption period for these investments is quarterly with 60 days notice.

**NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - FAIR VALUES (Continued)

U.S. Government Securities - This investment class is meant to provide a very low risk asset that provides diversification to the equity portfolio.

Invested Cash and Other Short-Term Investments - This investment class is meant to provide safety when our money managers are unable to find investments with appropriate returns consistent with their strategy. It tends to be very short term with a very low return.

Corporate Bonds - This investment class is meant to provide a low risk component to our portfolio and provides an asset class that has a low correlation to the equity investments.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Equipment and software	\$ 29,623	\$ 28,070
Office furniture	353	353
	<u>29,976</u>	<u>28,423</u>
Less accumulated depreciation	<u>25,521</u>	<u>22,521</u>
Property and Equipment, Net	<u>\$ 4,455</u>	<u>\$ 5,902</u>

Depreciation expense for the years ended December 31, 2010 and 2009, was \$3,000 and \$2,843, respectively.

NOTE 5 - TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

The following is the composition of the Foundation's temporarily restricted net assets at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Purpose restrictions:		
Scholarship	\$ 3,632,065	\$ 3,570,729
Community Philanthropy	2,871,486	1,812,202
Young Philanthropists	<u>187,804</u>	<u>152,034</u>
	<u>\$ 6,691,355</u>	<u>\$ 5,534,965</u>

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donor. The temporarily restricted net assets released from restriction for the years ended December 31, 2010 and 2009, related to grants to recommended organizations amounted to \$378,272 and \$251,872, respectively.

NOTE 6 - ENDOWMENT

The Foundation's endowment consists of discretionary endowment funds, board-designated endowment funds and donor-restricted endowment funds for which the Foundation has variance power. In accordance with accounting standards, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net assets consist of cash and cash equivalents, dividends and interest receivable and investments at fair value, less agency fund liabilities, which are reported on the statements of financial position.

Interpretation of Relevant Law - The Board of Directors of the Foundation has accepted their legal counsel's interpretation of the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as temporarily restricted net assets (a) the original value of donor-restricted gifts, (b) the original value of subsequent donor-restricted gifts, and (c) accumulations to the donor-restricted gifts made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted gifts are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by CTPMIFA.

In accordance with CTPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund, (b) the purposes of the organization and the donor-restricted endowment fund, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of the organization, and (g) the investment policies of the organization.

**NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - ENDOWMENT (Continued)

Endowment Net Assets - Endowment net asset composition by type of fund is as follows as of December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,691,355	\$ 6,691,355
Discretionary endowment funds	6,196,479	-	6,196,479
Board-designated endowment funds	<u>58,102</u>	<u>-</u>	<u>58,102</u>
	<u>\$ 6,254,581</u>	<u>\$ 6,691,355</u>	<u>\$ 12,945,936</u>

Endowment net asset composition by type of fund is as follows as of December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,534,965	\$ 5,534,965
Discretionary endowment funds	5,989,918	-	5,989,918
Board-designated endowment funds	<u>55,759</u>	<u>-</u>	<u>55,759</u>
	<u>\$ 6,045,677</u>	<u>\$ 5,534,965</u>	<u>\$ 11,580,642</u>

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENT (Continued)

Changes in endowment net assets for the years ended December 31, 2010 and 2009, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets at January 1, 2009	\$ 5,045,799	\$ 4,755,274	\$ 9,801,073
Investment return:			
Investment income	648,906	691,159	1,340,065
Investment fees	(1,171)	(79,886)	(81,057)
Total investment return	<u>647,735</u>	<u>611,273</u>	<u>1,259,008</u>
Contributions	<u>859,915</u>	<u>420,290</u>	<u>1,280,205</u>
Special event revenue	<u>35,580</u>	<u>-</u>	<u>35,580</u>
Appropriations of endowment assets for expenditure	<u>251,872</u>	<u>(251,872)</u>	<u>-</u>
Expenditure of discretionary and board-designated endowment funds	<u>(795,224)</u>	<u>-</u>	<u>(795,224)</u>
Endowment net assets, at December 31, 2009	<u>6,045,677</u>	<u>5,534,965</u>	<u>11,580,642</u>
Investment return:			
Investment income	627,074	547,261	1,174,335
Investment fees	(22,272)	(95,197)	(117,469)
Total investment return	<u>604,802</u>	<u>452,064</u>	<u>1,056,866</u>
Contributions	<u>273,597</u>	<u>1,082,598</u>	<u>1,356,195</u>
Special event revenue	<u>27,045</u>	<u>-</u>	<u>27,045</u>
Appropriations of endowment assets for expenditure	<u>378,272</u>	<u>(378,272)</u>	<u>-</u>
Expenditure of discretionary and board-designated endowment funds	<u>(1,074,812)</u>	<u>-</u>	<u>(1,074,812)</u>
Endowment Net Assets at December 31, 2010	<u>\$ 6,254,581</u>	<u>\$ 6,691,355</u>	<u>\$ 12,945,936</u>

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENT (Continued)

Total endowment funds classified as temporarily restricted net assets subject to a purpose restriction as of December 31, 2010 and 2009, are \$6,691,355 and \$5,534,965, respectively.

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power and capital of the endowment assets. The policy also seeks to maximize total investment return, while also establishing a diverse portfolio of investments to protect against losses. Endowment assets include those assets of donor-restricted funds that the Foundation must hold for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that seeks to maximize total investment return, while also establishing a diverse portfolio of investments to protect against losses.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and its Relation to Investment Objectives - The Foundation has a policy of appropriating for distribution each year 4.5% of its previous year's temporarily restricted endowment fund's value or the average fair value of endowment fund over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 7 - DONATED GOODS AND SERVICES

The design of annual report and other promotional materials with a value of \$20,607 and \$13,767 were recognized as contributions for the years ended December 31, 2010 and 2009, respectively. Donated goods totaling \$1,309 and \$-0- for the years ended December 31, 2010 and 2009, respectively, were recognized in connection with special events.

NOTE 8 - OPERATING LEASE

On January 1, 2010, the Foundation entered into a new lease agreement for office space. The lease agreement has a current annual rent of approximately \$24,800 and expires in December 2012. The annual required rental payments increase annually over the term of the lease to a maximum annual rent of approximately \$25,500. The Foundation also leases office equipment under noncancelable operating leases with terms of more than one year.

NEW CANAAN COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - OPERATING LEASE (Continued)

Future minimum lease payments under operating leases that have remaining terms in excess of one year are as follows:

Year Ending December 31

2011	\$ 25,932
2012	<u>25,731</u>
	<u>\$ 51,663</u>